

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 CIEP-01 IO-10 ACDA-05 CIAE-00

DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01

RSC-01 PRS-01 SP-02 SS-15 USIA-06 NIC-01 OMB-01 BIB-01

EB-07 TRSE-00 DOTE-00 INT-05 FEA-01 STR-01 VO-03

SCA-01 /093 W

----- 005978

P R 091904Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6724

INFO USMISSION USBERLIN

USMISSION NATO BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 18976

C O R R E C T E D C O P Y (DTG & FILE TIME)

E. O. 11652: GDS

TAGS: PFOR, EFIN, GW, GE, US

SUBJECT: FRG-GDR RELATIONS

REF: BONN 18910

SUMMARY: AGREEMENT HAS BEEN REACHED IN PRINCIPLE
BETWEEN THE FRG AND GDR ON EXTENSION OF THE INTER-ZONAL
SWING CREDIT. GDR HAS AGREED TO EXEMPT PENSIONERS FROM
CUMPULSORY EXCHANGE REQUIREMENTS. END SUMMARY

1. RESPONDING TO OPPOSITION PRESSURE AND HEAVY PRESS
QUESTIONING, DEPUTY FRG GOVERNMENT SPOKESMAN
GRUENEWALD OUTLINED IN CONSIDERABLE DETAIL AT A PRESS
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CONFERENCE TODAY (DECEMBER 9) THE CURRENT STATUS

OF FRG-GDR NEGOTIATIONS ON A WIDE RANGE OF MATTERS, INCLUDING PARTICULARLY EXTENSION BY THE FRG OF THE SWING CREDIT TO THE GDR AND THE EXEMPTION BY THE GDR OF PENSIONERS FROM THE COMPULSORY CURRENCY EXCHANGE. THE STAGE WAS SET ON DECEMBER 7 WHEN NEUES DEUTSCHLAND UNILATERALLY REPORTED THAT EAST AND WEST GERMAN NEGOTIATORS HAD INITIALED A TENTATIVE AGREEMENT IN EAST BERLIN ON DECEMBER 6 ON AN EXTENSION OF THE SWING. THE GDR TODAY AGREED TO EXEMPT PENSIONERS FROM THE COMPULSORY EXCHANGE REQUIREMENT AS OF DECEMBER 20. THE SATURDAY NEUES DEUTSCHLAND ANNOUNCEMENT ON THE SWING CLEARLY TOOK THE WEST GERMANS BY SURPRISE AND WAS EMBARRASSING TO THEM. AS WE PIECE IT TOGETHER, THE FRG IDEA WAS TO GET THE GDR TO ANNOUNCE ELIMINATION FOR PENSIONERS OF THE EXCHANGE REQUIREMENT AND THEN TO FOLLOW IT BY AN FRG STATEMENT THAT CONDITIONS WERE RIPE FOR MOVING AHEAD WITH TALKS ON THE SWING AND VARIOUS OTHER QUESTIONS (ROAD AND RAIL COMMUNICATIONS, ENERGY SUPPLY) THAT THE WEST GERMANS ARE INTERESTED IN. IN THIS WAY BONN THOUGHT IT COULD AVOID CRITICISM THAT IT BOUGHT THE GDR CONCESSIONS ON THE PENSIONERS THROUGH THEIR SWING EXTENSION.

2. IN TODAY'S PRESS CONFERENCE, GRUENEWALD SAID THE FRG NOTED WITH SATISFACTION THE GDR DECISION TO EXEMPT WITH EFFECT FROM DECEMBER 20 PENSIONERS FROM THE EXCHANGE REQUIREMENT. ALSO EFFECTIVE BEGINNING DECEMBER 20, SAID GRUENEWALD, ARE 'GENEROUS, GDR MEASURES TO IMPROVE THE CONDITIONS OF TRAVEL IN EAST GERMANY BY DROPPING SPECIAL REQUIRMENTS REGARDING FRG CITIZENS WHO WISH TO TRAVEL IN THEIR OWN CARS THERE, AND BY ISSUING VISITOR VISAS VALID FOR THE ENTIRE GDR AND NOT JUST FOR A SINGLE DISTRICT. GRUENEWALD SAID THE ABOVE POINTS HAD BEEN CONFIRMED TODAY, DECEMBER 9, BY NIER AND MITTDANK TO FRG PERM. REP. GAUS AND BERLIN MAYOR SCHUETZ. NIER AND MITTDANK, DECLARED GRUENEWALD, HAD ALSO TRANSMITTED GDR READINESS TO UNDERTAKE THE FOLLOWING: A) TO NEGOTIATE REGARDING COMMUNICATIONS WITH THE GOALS OF REDUCING TRAVEL TIME
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IN TRANSIT TRAFFIC, OF IMPROVING LAND TRANSPORT BY ROAD REPAIRS AND THE CONSTRUCTION OF AUTOBAHNS, AND OF EASING SHIP TRAVEL BY OPENING THE TELTOW CANAL; B) TO PLACE LONG-TERM ECONOMIC COOPERATION ON A NEW BASIS, E.G., GDR AGREEMENTS ON COOPERATIVE PROJECTS WITH KRUPP AND HOECHST; C) TO CONTRIBUTE TO THE PROVISION OF ELECTRICITY TO WEST BERLIN; D) TO REACH AGREEMENT ON THE EXTRACTION OF COAL AND NATURAL GAS

FROM DEPOSITS LYING ON THE FRG-GDR BOUNDARY; E) TO
REACH AGREEMENTS BEYOND THAT ALREADY CONCLUDED
THIS PAST APRIL IN THE AREA OF NON-COMMERCIAL
PAYMENTS' F) IN THE AREA OF INNER-GERMAN TRADE, TO
ACCEPT CERTAIN PRODUCTS FROM WEST BERLIN; AND
FINALLY, G) TO CONCLUDE AS QUICKLY AS POSSIBLE THE
STALLED AGREEMENTS ON INTRA-CITY MATTERS NOW PENDING
WITH THE SENAT (SEWAGE, TRASH, ETC.). REFERRING TO
THE ABOVE LIST, GRUENEWALD SAID IT WAS CLEAR THAT
THE GDR NOW SHARED THE VIEW OF THE FRG THAT THERE
COULD BE NO QUESTION OF ISOLATED NEGOTIATIONS
ON A SINGLE SUBJECT, BUT TALKS ON AN ENTIRE CATALOG

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PA-01 RSC-01 PRS-01 SP-02 SS-15 USIA-06 NIC-01 OMB-01

BIB-01 EB-07 TRSE-00 DOTE-00 INT-05 FEAE-00 STR-01

VO-03 SCA-01 /092 W

----- 003166

P R 121404Z DEC 74

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OF THEMES HAD TO BE HELD.

3. REGARDING THE ACTUAL DEAL, GRUENEWALD (AND CHANCELLOR SCHMIDT IN A DECEMBER 9 TELEVISION INTERVIEW) SAID THAT THE GDR WAS WELL AWARE THAT EXEMPTION OF PENSIONERS FROM THE CURRENCY EXCHANGE REQUIREMENT WAS A 'PREREQUISITE. FOR EXTENSION OF THE SWING. GRUENEWALD ADDED, IN AN ATTEMPT TO SHOW THAT THE GDR HAD MADE THE FIRST CONCESSIONS, THAT THE EAST GERMANS HAD AGREED ON THE EXEMPTION STILL IN NOVEMBER, WHILE THE TEXT REGARDING THE SWING WAS DRAFTED AND AGREED (IN PRINCIPLE) ONLY IN PERIOD DECEMBER 4 - 6. GRUENEWALD DEFENDED THE SWING EXTENSION AS IN 'ALL-GERMAN INTEREST' WITH DEFINITE CONFIDENTIAL

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BENEFITS TO FRG. THE CEILING OF THE SWING WILL BE DM 850 MILLION AND WILL BE CALCULATED, AS FORMERLY, ON THE BASIS OF 25 PERCENT OF THE PREVIOUS YEAR'S

EXPORTS TO THE GDR. A REFERENCE TO THE FACT THAT THE FEDERAL CABINET AND THE BUNDESBANK COUNCIL MUST STILL APPROVE THE ARRANGEMENT, GRUENEWALD SAID THE JOB NOW IS FOR THE FRG TO REACH A DECISION ON THE DEAL ALREADY AGREED IN PRINCIPLE.

4. COMMENT: AS INDICATED IN REFTEL, MOVEMENT ON THE SWING AND THE CURRENCY EXCHANGE REQUIREMENTS WAS EXPECTED, BUT THE MANNER IN WHICH EVENTS UNFOLDED WAS CLEARLY AN UNWELCOME SURPRISE IN BONN, AS WE HAVE NOTED. THE EXTREME SECRECY WITH WHICH THE NEGOTIATIONS WERE CONDUCTED IS INDICATED BY THE FACT THAT, AS A FOREIGN OFFICE SOURCE TOLD US, SCHMIDT HAS NOT EVEN INFORMED THE MEMBERS OF HIS CABINET (WHICH HE WILL DO DECEMBER 11) AND THAT ONLY GENSCHER IN THE FOREIGN OFFICE HAS BEEN BRIEFED. THE SOURCE ADDED THAT GENSCHER WILL BRIEF THE ALLIED FOREIGN MINISTERS AT THE QUADRIPARTITE DINNER ON DECEMBER 9. HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, INTERGOVERNMENTAL COOPERATION, FOREIGN EXCHANGE CONTROLS, MEETINGS, CURRENCY CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN18976
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740357-0577
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741251/aaaabrkk.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BONN 18910
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2002 by elyme>; APPROVED <15-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG-GDR RELATIONS
TAGS: PFOR, EFIN, GE, GC, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005